

The small fish in local government need help to swim in big pond



**HILARY
JOFFE**

DISMAL SCIENCE

THE intergovernmental fiscal review issued last month drew attention to some of the financial shortcomings of SA's local government system.

It is a system still suffering the merger pains of restructuring two years ago. A new study now goes further, to question whether local government structures are able to fulfil the developmental mandate with which they have been tasked.

The study, for the Centre for Development and Enterprise, highlights the problems facing small town municipalities, suggesting their financial problems are as much a reflection of underlying political and organisational problems as they are of inadequate financial knowledge.

Although government is putting resources into financial management pilot programmes and improving capacity in local government, researcher Doreen Atkinson argues more funds

and sustained institutional mentoring should be provided.

Allocations to local government are still a small proportion of the national budget — R12bn, or 4,3% for 2003. But the sum has increased significantly, and is budgeted to increase 12% in real terms in the next three years, the fiscal review states.

This level of government might be small in national budget terms but, as the centre's study points out, it has been given a big job in socioeconomic terms.

The municipal legislation enacted in 1998-99 is based on the notion of "developmental local government", which is committed to working with the community to find ways to meet social, economic and material needs and improve peoples' quality of life.

This is challenging, but has been made more so by the amalgamation problems municipalities have been struggling with since the redemarca-

tion in 2000 that consolidated 843 local government entities into 284.

Perhaps the most obvious financial manifestation of trouble is that many municipalities have proved unable to put together financial statements on time. They have a June year-end, but the fiscal review reports that by end-September, 77% of municipalities had not yet submitted their financial statements for last year and 5% still had not delivered those for end-June of the previous year.

A high proportion of statements for 2001 got qualified audit reports; last year's proportion is not known.

The fiscal review notes local government has been through several phases of restructuring, and is headed for more, with the electricity restructuring process coming up. It comments on the difficulties municipalities face, as they try to restructure while maintaining service quality, using often antiquated systems. Government is hoping its capacity-building initiatives will help.

The centre's study is not so optimistic. Atkinson argues decision makers have radically underestimated the scale of the administrative integration process required by the new demar-

cations. The new structures have had to merge systems, staff and technology, and integrate tariff and rate structures. And government is not funding enough of the cost entailed, she says.

Many of the new municipalities are also geographically huge — Kopanong, Free State, for example, combined nine former councils covering a 150km area — and that has its own practical problems. Given the new demarcation and the politics of the ensuing 2000 local government elections many local councillors were elected for the first time, so that little experience of formal local government was carried over from the pre-2000 period.

"Many municipalities are scarcely able to consolidate their organograms and administer their basic functions, let alone begin to provide developmental local government," she says.

Government's financial management grants, usually used to bring in expert consultants, have helped reduce admin backlogs and improve cash flow in many municipalities. But the consultants don't necessarily transfer their skills. And they are often financial experts, lacking development expertise municipalities need if they are to work as development agencies.

An innovation which the study suggests may have been premature is the Integrated Development Plan that each municipality must produce. The plans are supposed to be comprehensive guides to their future functioning as development agencies. The plan requirement has added to the burden on municipalities, and many plans have turned out to be no more than impractical wish lists, which have raised expectations — and showed just how stretched municipalities are.

Atkinson's research focused on the smaller, more rural Free State and Northern Cape municipalities. Large metropolitan municipalities are likely to be better off, although they face some of the same problems.

The large municipalities' size and budget dwarfs that of the smaller ones — the fiscal review shows the three largest municipal budgets are about R10bn each, while at the other end of the scale are districts such as Namakwa with a R15m budget.

The centre's study suggests that the smaller folk may need a lot more attention, even if not necessarily more money, from government.

■ Joffe is financial services editor.